

Wednesday, 18 December 2019

HOLD
Maintain

Last price (IDR) 20,025
Target Price (IDR) 21,600
Upside/Downside +7.9%
Previous Target Price (IDR) 21,600

Stock Statistics

Sector Cement
Bloomberg Ticker INTP IJ
No of Shrs (mn) 3,681
Mkt. Cap (IDRbn/USDmn) 73,717/5,267
Avg. daily T/O (IDRbn/USDmn) 41.2/2.9

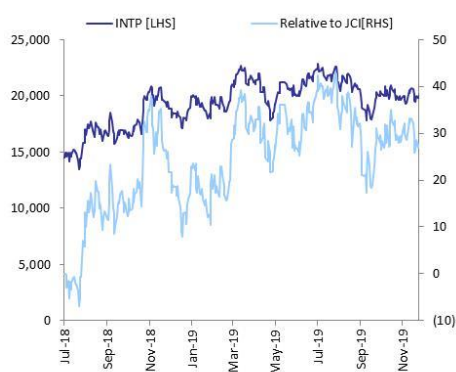
Major shareholders (%)

Birchwood Omnia Limited 51.0
Mekar Perkasa 13.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	441.6	495.3	557.1
Consensus	441.6	556.9	624.9
Danareksa/Cons	0.0	(11.1)	(10.9)

INTP relative to JCI Index



Source : Bloomberg



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Indocement Tunggal Prakarsa (INTP IJ)

Lower monthly sales

INTP and the sector booked lower monthly cement sales in Nov19 affected by the impact of the rainy season, although sales were still higher on a yearly basis. INTP sold 1.79mn tons of cement in Nov19 (+11.8%yoy and -2.4%mom). INTP's market share was relatively stable at 25.2%. With strong sales in the past three months, INTP's 11M sales were flat. Sales in 11M19 reached 16.24mn tons (+0.0%yoy) on the back of improving market share in Java but lower market share in Sumatra. We expect the FY19 cement sales to be flattish (-0.5%yoy) at 17.70mn tons.

Sales in Nov19 were lower than in the previous month. INTP booked lower monthly cement sales in Nov19 at 1.79mn tons, or -2.4%mom from 1.83mn tons in Oct19 (the year's highest monthly sales), hit by the impact of the rainy season. On a yearly basis, the Nov19 sales were up 11.8%yoy on the back of the continuation of infrastructure development delayed in 1H due to political issues. INTP's market share was relatively stable at 25.2% (Oct19: 25.0%). By region, sales in West Java were down 10.6%mom due to the very high sales in the previous month but still +23.5%yoy. West Java accounted for 30.6% of the sales. Sales in the eastern part of Indonesia were stronger, with sales in Nov19 up 27.4%mom and +7.5%yoy with a 12.6% contribution to sales.

YTD, INTP's cement sales volume is flat. Sales in 11M19 stood at 16.24mn tons, unchanged on a yearly comparison (+0.0%yoy), dragged down by soft performance in Sumatra. Sales in Java grew by +13.7%yoy with a 75.0% contribution to sales. INTP has 34.2% market share in Java. Meanwhile, sales in Sumatra, the second largest market for Tiga Roda cement with a contribution of 9.4% booked negative sales growth of -66.6%yoy. INTP lost market share in Sumatra from 33.5% in 2018 to only 11.7%. However, INTP still managed to keep its market share stable at 25.6% (11M18: 25.6%).

Domestic cement sales. Domestic cement consumption in Nov19 reached 7.09mn tons (+9.6%yoy and -3.2%mom). The strong yearly growth was seen in Java as sales in Java grew by +6.6%yoy but were -6.8%mom. YTD, cement consumption in 11M19 reached 63.45mn tons (+0.0%yoy) due to flattish sales in Java (-0.3%yoy) and Sumatra (-4.5%yoy). These two areas accounted for 76.6% of the domestic demand.

Maintain forecast and recommendation. We expect flattish cement sales for INTP in FY19 at 17.70mn tons (-0.5%yoy). In order to achieve the target, INTP needs to sell 1.46mn tons in Dec19. This should be easily achievable given this figure implies -4.3%yoy growth and -18.5%mom growth.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	14,431	15,190	15,905	17,297	18,483
EBITDA (IDRbn)	3,106	2,006	2,957	3,370	3,644
EBITDA Growth (%)	(32.6)	(35.4)	47.4	14.0	8.1
Net profit (IDRbn)	1,860	1,146	1,626	1,823	2,051
EPS (IDR)	505.2	311.3	441.6	495.3	557.1
EPS growth (%)	(51.9)	(38.4)	41.9	12.2	12.5
BVPS (IDR)	6,670.7	6,308.1	6,438.4	6,492.1	6,553.9
DPS (IDR)	928.7	700.0	311.3	441.6	495.3
PER (x)	39.6	64.3	45.3	40.4	35.9
PBV (x)	3.0	3.2	3.1	3.1	3.1
Dividend yield (%)	4.6	3.5	1.6	2.2	2.5
EV/EBITDA (x)	21.1	33.2	22.2	19.3	17.5

Source : INTP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



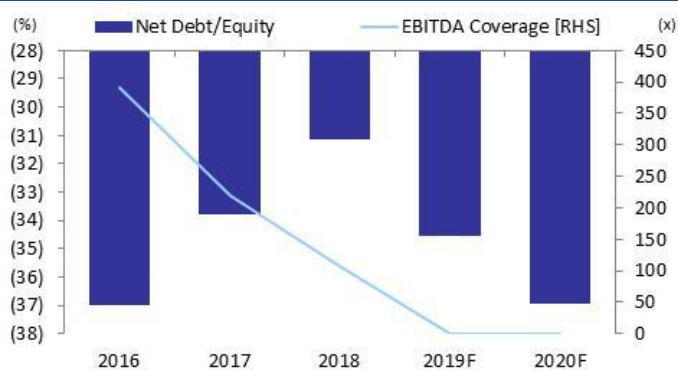
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



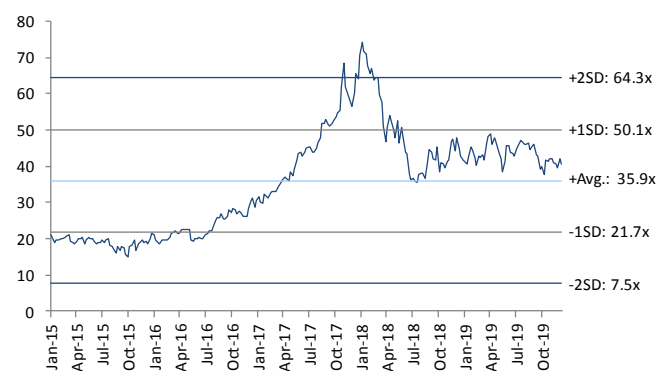
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



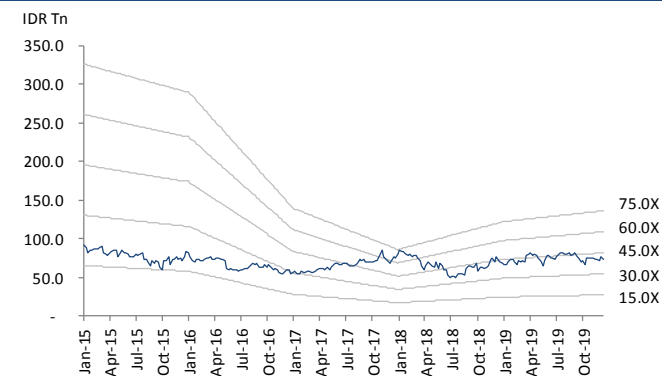
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. INTP cement sales breakdown

Mn tons	Nov-18	Oct-19	Nov-19	% yoy	% mom	11M18	11M19	% yoy
Jakarta	0.17	20.0%	18.4%	7.2%	-8.2%	1.82	1.66	-8.9%
Banten	0.14	15.4%	14.9%	5.1%	-3.7%	1.32	1.35	1.7%
West Java	0.44	61.2%	54.8%	23.5%	-10.6%	4.61	5.03	9.0%
Central Java	0.30	33.5%	30.4%	1.8%	-9.5%	2.98	2.96	-0.5%
Yogyakarta	0.02	2.4%	2.2%	3.7%	-8.0%	0.20	0.21	1.8%
East Java	0.10	8.6%	9.9%	-5.3%	16.2%	1.03	0.98	-5.1%
Java	1.18	1.41	1.30	10.5%	-7.7%	10.71	12.18	13.7%
Sumatra	0.12	0.17	0.18	43.9%	1.1%	4.56	1.52	-66.6%
Kalimantan	0.09	0.07	0.08	-12.3%	18.4%	0.44	0.75	72.5%
Sulawesi	0.06	0.03	0.03	-48.4%	2.8%	1.13	0.31	-72.8%
Nusa Tenggara	0.14	0.14	0.18	33.8%	31.7%	0.35	1.28	268.0%
East Indonesia	0.02	0.01	0.02	-17.1%	35.0%	0.51	0.16	-68.3%
INTP - total	1.60	1.83	1.79	11.8%	-2.4%	16.24	16.24	0.0%

Source: Company

Exhibit 8. Sensitivity of the monthly cement sales in the remaining of the year

FY19 % yoy target	-0.5	0.0%	1.0%	2.0%
Sales vol. growth in Dec19 (%yoy)	-4.3%	1.6%	13.2%	24.9%
Earnings (IDR bn)	1,626	1,681	1,794	1,907
Chg. in earnings (%)		3.4%	10.4%	17.3%

Source: Danareksa Sekuritas estimate

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	14,431	15,190	15,905	17,297	18,483
COGS	(9,423)	(10,821)	(10,923)	(11,667)	(12,403)
Gross profit	5,008	4,369	4,983	5,630	6,080
EBITDA	3,106	2,006	2,957	3,370	3,644
Oper. profit	1,928	1,046	1,510	1,950	2,209
Interest income	416	332	361	246	265
Interest expense	(14)	(19)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	12	13	14	14	15
Other Income (Expenses)	(53)	28	28	28	28
Pre-tax profit	2,288	1,401	1,912	2,237	2,516
Income tax	(428)	(255)	(287)	(414)	(466)
Minority interest	0	0	0	0	0
Net profit	1,860	1,146	1,626	1,823	2,051
Core Net Profit	1,860	1,146	1,626	1,823	2,051

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	8,295	7,226	8,192	8,835	9,775
Receivables	2,485	2,966	2,715	2,929	3,079
Inventory	1,769	1,838	1,856	1,990	2,088
Other Curr. Asset	335	286	573	588	582
Fixed assets - Net	14,979	14,637	13,915	13,454	12,979
Other non-curr.asset	1,001	836	853	877	903
Total asset	28,864	27,789	28,105	28,672	29,406
ST Debt	0	0	0	0	0
Payables	2,207	2,578	2,364	2,565	2,888
Other Curr. Liabilities	1,272	1,348	1,400	1,571	1,754
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	828	641	639	637	636
Total Liabilities	4,307	4,567	4,404	4,773	5,279
Shareholder's Funds	24,557	23,222	23,701	23,899	24,127
Minority interests	0	0	0	0	0
Total Equity & Liabilities	28,864	27,789	28,105	28,672	29,406

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,860	1,146	1,626	1,823	2,051
Depreciation and Amort.	1,178	959	1,448	1,421	1,435
Change in Working Capital	436	(78)	(109)	12	265
Other Oper. Cash Flow	(402)	(313)	(361)	(246)	(265)
Operating Cash Flow	3,072	1,714	2,602	3,010	3,486
Capex	(1,512)	(621)	(722)	(959)	(959)
Others Inv. Cash Flow	495	502	340	222	239
Investing Cash Flow	(1,017)	(119)	(382)	(737)	(720)
Net change in debt	1	8	(108)	(5)	(2)
New Capital	0	0	0	0	0
Dividend payment	3,419	2,577	1,146	1,626	1,823
Other Fin. Cash Flow	(15)	(95)	0	0	0
Financing Cash Flow	3,404	2,490	1,038	1,621	1,821
Net Change in Cash	5,459	4,085	3,258	3,894	4,587
Cash - begin of the year	9,674	8,295	7,226	8,192	8,835
Cash - end of the year	8,295	7,226	8,192	8,835	9,775

Exhibit 12. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(6.1)	5.3	4.7	8.8	6.9
EBITDA	(32.6)	(35.4)	47.4	14.0	8.1
Operating profit	(46.7)	(45.7)	44.3	29.1	13.3
Net profit	(51.9)	(38.4)	41.9	12.2	12.5
Profitability (%)					
Gross margin	34.7	28.8	31.3	32.6	32.9
EBITDA margin	21.5	13.2	18.6	19.5	19.7
Operating margin	13.4	6.9	9.5	11.3	12.0
Net margin	12.9	7.5	10.2	10.5	11.1
ROAA	6.3	4.0	5.8	6.4	7.1
ROAE	7.3	4.8	6.9	7.7	8.5
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	136.8	56.1	0.0	0.0	0.0

Source : INTP, Danareksa Estimates

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